

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
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FM AMEMBASSY LONDON
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INFO AMEMBASSY BRUSSELS
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USEEC

USOECD ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EAID, ETRD, UK
SUBJECT: DR. OWEN ON NORTH-SOUTH RELATIONS

REF: (A) 77 LONDON 19808; (B) LONDON 3562

1. ON MARCH 1 THE FOREIGN SECRETARY, DR. OWEN, DELIVERED TO THE OXFORD UNION, AS THE GILBERT MURRAY MEMORIAL LECTURE, A SPEECH ENTITLED "THE DANGERS OF IGNORING THE THIRD WORLD". WHILE ONE USUALLY KNOWLEDGE ABLE JOURNALIST HAS SUGGESTED TO US THAT IT REPRESENTS A STEP IN OWEN'S, AND THE FCO'S, LEFTWARD MARCH ON NORTH-SOUTH ISSUES, THE SPEECH APPEARS TO US, AS IT DOES TO TWO FOREIGN OFFICE OFFICIALS TO WHOM WE'VE
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SPOKEN, TO BE A COMPREHENSIVE BUT GENERALLY UNSURPRISING REVIEW OF NORTH-SOUTH ISSUES AND BRITAIN'S ESTABLISHED POLICY THERETO.

2. OWEN DOES TAKE THE LDC DEMAND FOR A NEW INTERNATIONAL ORDER, INCLUDING A NEGOTIATED CHANGE IN THE WORLD ECONOMY TO RELIEVE ECONOMIC INEQUALITY, QUITE

SERIOUSLY. HE SUGGESTS, AS A "HYPOTHETICAL SCENARIO" A DOWNWARD SPIRAL OF THE WORL ECONOMY, THE FIRST TWIST OF WHICH MAY HAVE BEGUN, WITH THE PRESENT WORLD RECESSION PRODUCING INCREASED PRESSURE FOR PROTECTIONISM. THE NEXT MOVE MIGHT BE A DECREASE IN AID. THE CHOKING OFF OF GROWTH IN EXPORTS FROM THE LDCS MIGHT LEAD BOTH TO LOWER EXPORTS TO THEM AND DEFAULT ON DEBTS. THE NET EFFECT COULD BE SEVERE DEFLATION ON A WORLD SCALE. EXTREMISM COULD MOUNT AND THE MAJOR THREAT TO THE WORLD WOULD BE CHAOS RATHER THAN CONFLICT. IN THE DEVELOPED WORLD, UNEMPLOYMENT WOULD ACT AS A CATALYST FOR INCREASED RACISM AND XENOPHOBIA. IN SUM, HE SKETCHES A (POSSIBLE) FUTURE OF ECONOMIC MISTAKES LEADING TO POLITICAL DISASTER.

3. IN SETTING FORTH AN ALTERNATIVE TO THIS GLOOMY POTENTIAL, OWEN TREATS THE PROBLEM OF IMPORTS FROM LDCS IN A MORE COHERENT FORM THAN IN AN EARLIER SPEECH REPORTED IN REF A. HE STRESSES THE INEVITABILITY OF AN ADJUSTMENT IN THE PATTERN OF PRODUCTION AND ALSO MAKES THE POINT THAT IF THE UK AND OTHER DEVELOPED COUNTRIES YIELD UNTHINKINGLY TO PROTECTIONIST DEMANDS, THEY WILL IN TURN PUT AT RISK THEIR ACCESS TO DEVELOPING COUNTRIES' MARKETS. SHOULD RESTRICTIONS BE NEEDED, HE AGAIN POINTS TO THE MFA AS A PATTERN.

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4. ON AID, OWEN MAKES TWO MAIN POINTS. FIRST, COUNTRIES SHOULD REACH THE DAC 0.7 PERCENT TARGET FOR OFFICIAL DEVELOPMENT ASSISTANCE. HE SAYS THAT OVERSEAS AID IS NOW THE BRITISH GOVERNMENT'S FASTEST RISING PROGRAMME, AND THAT THE UK IS MOVING TOWARD THE 0.7 PERCENT AID TARGET. IN CONTRAST HE POINTS TO JAPAN'S CURRENT AID BUDGET OF 0.21 PERCENT OF GNP. JAPAN SHOULD DOUBLE THIS, HE SAYS, NOT OVER 5 YEARS AS IS PLANNED, BUT IN THE COMING FINANCIAL YEAR. BY MEETING THE 0.7 PERCENT TARGET, THE JAPANESE COULD INJECT AS MUCH AS AN ADDITIONAL \$4 MILLION INTO THE WORLD ECONOMY. OWEN ALSO NOTES THAT SOVIET AID IS SMALL AND HEAVILY MILITARY.

5. THE SECOND POINT OWEN MAKES IS THE NEED TO CONCENTRATE ON ACHIEVABLE REFORMS AND IGNORE THE DEMANDS OF REVOLUTIONARIES WHO OPPOSE REFORMS BECAUSE THEY WANT THE REVOLUTION. BY REFORM HE MEANS THE "BASIC NEEDS STRATEGY" AND HE LINKS TO THIS SOME CONSIDERATION OF HUMAN RIGHTS IN GRANTING AID - "THIS IS WHY BRITAIN IS ADAMANT THAT LOME, WHEN RENEGOTIATED, MUST GIVE SOME RESERVE POWER TO DONOR COUNTRIES". BUT HE NOTES THAT

BASIC NEEDS, AS A STRATEGY, NEEDS TO HAVE COUPLED TO IT
WIDER OBJECTIVES INCLUDING FAIRER DISTRIBUTION OF ECON-
OMIC RESOURCES, WEALTH CREATION, EMPLOYMENT CREATION

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AND GREATER "ECONOMIC SUFFICIENCY".

6. OWEN ALSO TOUCHES ON THE WASTE OF RESOURCES INVOLVE
IN PURCHASES OF ARMS BY THE THIRD WORLD, AS REPORTED IN
REF B.

7. COMMENT: OWEN'S SPEECH IS LONG IN DESCRIPTION BUT
SHORT ON NEW POLICY INITIATIVES. IDEAS FOR NEW BRITISH
GESTURES TOWARD THE LDCS DO EXIST AND ARE BEING PUSHED
BY PEOPLE LIKE ODM MINISTER JUDITH HART AND FCO
MINISTER OF STATE FRANK JUDD, BUT OWEN FINALLY CHOSE,
IN THE TEXT OF THIS LECTURE, THE SAFE PATH OF STATING
ESTABLISHED POLICY. WHEN, FOR EXAMPLE, HE GETS DOWN TO
SPECIFICS IN A DISCUSSION OF THE COMMON FUND, HE MAKES
NO REFERENCE TO "OTHER MEASURES" OR THE "SECOND WINDOW".
HE SAYS ARECONVENED CONFERENCE WHICH GOT NOWHERE WOULD

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BE WORSE THAN USELESS. THIS MEANS FLEXIBILITY ON BOTH
SIDES - INCLUDING RECOGNITION BY THE DEVELOPING
COUNTRIES THAT IF SOME OF THE PROPOSALS... WERE TO BE
ACCEPTED, THE FUND COULD BECOME A NIGHTMARE, MAKING
NO ECONOMIC SENSE AND HELPING THE BETTER-OFF COUNTRIES
RATHER THAN THE POOREST."

BREWSTER

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